Income Tax - Deceased taxpayer "Carryforward of Tax Credits"

What happens to income tax credits earned during the tax year, or carried forward from an earlier tax year, if the taxpayer dies during the tax year?

General Rule:

The tax credits may be claimed and utilized on the final return filed for the deceased taxpayer. Any credit not fully utilized on the final return may not be carried forward and does not become part of the estate or flow through to any other taxpaying entity.

In the case of a married couple filing a joint return, the spouse may continue to carry unused credits forward to the extent allowed under the carryforward rules if the credit was earned jointly. If the credit was generated by only the deceased taxpayer, then the surviving spouse can not carry any unutilized credit forward to future tax years.

Exception:

The only exception is the gross conservation easement credit which passes to the decedent's estate. [§39-22-522(7)(h), C.R.S.] The credit may be transferred by the estate if it was generated by a conservation easement donation made by the decedent. And:

- The donation was made in 2003 or later, or
- The donation was made in 2002 or earlier and the credit being transferred is \$20,000 or more.